

# Illinois Insurance

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## Department issues company bulletin on mold exclusions

Illinois Director of Insurance Nat Shapo has issued a bulletin (CB 2002-07) to all property and casualty insurers outlining the requirements for filing mold-related exclusions and limitations in Illinois.

The Department of Insurance interprets the law to allow companies writing homeowners and commercial **property coverage** to exclude mold-related claims except in cases where mold results from covered fire or lightning losses. Companies writing homeowners and commercial **liability coverage** will be allowed to exclude mold-related claims except in workers compensation policies. Mold-related language in **all policy forms, exclusions and limitations** may not violate any provisions of the Illinois Insurance Code or contain clauses that are inconsistent, ambiguous or misleading.

Insurers that issue any mold-related exclusion or limitation must provide detailed written notification

to their clients explaining the removal or limitation of coverage and its effect on the policy. Insurers that have already issued mold-related forms must review them for compliance with the Director's bulletin and, if necessary, send revised, compliant forms to their policyholders no later than their next renewal date.

Although the Illinois Department of Insurance will not disapprove mold-related exclusions or limitations that comply with the requirements listed in the bulletin, Shapo said he would like to see insurers provide some limit of protection rather than total exclusions, or develop and offer coverage buy-back endorsements for those policyholders who desire such coverage.

Noting that the Department of Insurance has received only twelve mold-related complaints over the past three years, Shapo has seen

**exclusions (cont'd on page 2)**

Dear Readers:

This issue marks my last as editor of *Illinois Insurance*. Over the past 32 ½ years, I've been privileged to serve under and work with some of the best regulatory professionals in the country. I am very proud of that association and grateful to have been part of the Illinois Department of Insurance team.

If future issues of our newsletters are delayed, please be patient as our remaining staff and those yet to be appointed work through the pending transition. Thank you for your continued interest and support of our publication.

Sincerely,

Nan Nases

**exclusions (cont'd from page 1)**

no evidence that Illinois residents are experiencing the serious mold problems occurring in other states. "Our mold problem has to date not been as severe or widespread as other states. But we have seen some cases where offices or dwellings have been affected, so we want to make sure that the market provides an option for consumers who want to shop for protection against mold damage," Shapo said.

The Department of Insurance will continue to monitor form filing activities, consumer complaints, and information from the insurance industry, public health agencies and other state and federal activities re-

lating to mold-related risks and health concerns. The Department is also requiring insurers to maintain and track information on all mold-related complaints and reported claims (whether there is coverage or not), including numbers of claims paid, denied, or pending and amounts paid and reserved, and to make such information available to the Director upon request. If the Department determines that mold exclusions or limitations are adversely affecting Illinois consumers or the Illinois insurance marketplace, the Director can amend or rescind the current bulletin or take other action as appropriate.

For the time being, however, Shapo said it is important for Illi-

nois property owners to become as knowledgeable as possible about the mold issue, particularly with respect to prevention and cleanup. To that end, the Department of Insurance has developed a fact sheet to educate consumers about mold and mold-related exclusions and limitations.

"The bottom line is companies are allowed to exclude mold coverage to a significant degree. Consumers need to be aware of this and shop for mold coverage if it's important to them," Shapo said.

Both the fact sheet and the full text of the company bulletin are available on the Department's web site at [www.ins.state.il.us](http://www.ins.state.il.us). ♦

## Oak Casualty Insurance Company ordered into liquidation

The Cook County Circuit Court issued an Order of Liquidation with a finding of insolvency against Oak Casualty Insurance Company (Oak) on November 19, 2002, following a determination by the Department of Insurance that the company was insolvent by more than \$2.5 million.

Oak began business in June 1988 as a Florida domiciled insurance company. In 1997, Oak re-domiciled to Illinois and merged with Industrial Casualty Insurance Company, with Oak continuing as the surviving entity. Oak is a wholly owned subsidiary of Preferred Casualty Holdings, Inc., a privately held Illinois holding company.

Licensed in the states of Illinois, Florida, and West Virginia, the company wrote primarily private passenger non-standard automobile liability, and physical damage policies, as well as individual accident and health coverages. The company has been in runoff and has written no new business since August 2002. The company's most recent annual statement reflected approximately \$19 million in direct premium as of December 31, 2001.

The company's active automobile insurance business will be canceled 31 days from the date of liquidation, the policy's expiration date, or when canceled by the named insured, whichever occurs first. The **Illinois Insurance Guaranty Fund** will be responsible for the covered auto claims of Oak Casualty's Illinois policyholders.

The company's accident and health business was not canceled pursuant to the liquidation order, and will continue in-force provided applicable premiums are paid, subject to the statutory limitations of the **Illinois Life and Health Guaranty Association**. The Guaranty Association will be responsible for the covered health claims of all Illinois policyholders up to \$300,000 per person until the policies can be terminated according to their provisions, or transferred to another viable insurance company. The Guaranty Association and Liquidator will cooperate in an effort to ensure that services to policyholders are provided in accordance with the association's powers and duties.

The liquidation order contains an injunction prohibiting suits against Oak Casualty outside of the liquidation proceedings. The liquidation proceedings are being handled on behalf of the Director of Insurance by the Office of the Special Deputy Receiver, 222 Merchandise Mart Plaza, Suite 1450, Chicago, IL 60654; (312) 836-9500. ♦

### Shapo elected NAIC VP

Illinois Director Nat Shapo is the newly elected vice president of the National Association of Insurance Commissioners. He has previously served as NAIC secretary-treasurer and twice as chair of the Midwestern Zone. He also currently chairs the International Holocaust Commission Task Force and the Functional Regulation Working Group. ♦

## Department losing several staff members to early retirement

The Early Retirement Incentive (ERI) program being offered by the State of Illinois appears to be taking a heavy toll on the Department of Insurance. Of the agency's authorized headcount of 383, 16 employees had retired as of November 30, and 55 more are estimated to retire by year end.

Early retirements will be spread broadly throughout our agency, including a significant depletion of management and senior staff. The departure of so many veteran employees will further result in a significant loss of the highly technical expertise and institutional knowledge required to regulate an increasingly complex insurance industry.

Following is a partial list of staff members participating in the ERI. Some employees have declined to make their names public. Number of years refers to time with the Department of Insurance; however, several people have prior state service with other agencies.

### Retiring Staff Members

**Larry Ahern**—Assistant Chief Examiner, P&C Financial Examination Section; 28 years

**Nestor Almaria**—Field Managing Examiner, L/A&H Financial Examination Section; 10.5 years

**Jorge Arana**—Field Managing Examiner, P&C Financial Examination Section; 24.5 years

**Larry Barregarye**—Insurance Analyst, L/A&H Consumer Services Unit; 30 years

**Ernst Bartels**—Field Staff Examiner, HMO Financial Analysis Unit; 5 years

**Barry Becker**—Deputy Director, Administrative Services Division; 29 years

**Richard Behrens**—Field Managing Examiner, P&C Financial Examination Section; 17 years

**Steve Buckman**—Insurance Analyst, P&C Compliance Section; 23 years

**Mary Bridget Chimento**—Executive Secretary, Consumer Services Section; 31 years

**Kathy Claunch**—Program Director, Senior Health Insurance Program (SHIP); 13 years

**Janelle Dever**—Data Service Coordinator, Pension Division; 4 years

**Arnold Dutcher**—Chief Deputy Director, Executive Staff; 29.9 years

**Kathy Eigell**—Supervisor, Operations & Marketing Unit; 23 years

**Bob Enoex**—Chief Counsel, Legal Division; 23 years

**Tom Farrell**—Information System Auditor, L/A&H Financial Examination Section; 29.5 years

**Linda Fitzgerald**—Insurance Analyst, L/A&H Corporate Regulation Unit; 30 years

**Mike Franklin**—Regulatory Specialist, L/A&H Regulatory Action Unit; 10 years

**Bob Glenn**—Consumer Outreach Coordinator, Consumer Outreach Program; 16 years

**Mike Goldstein**—Field Managing Examiner, L/A&H Financial Examination Section; 33 years

**Larry Gorski, FSA, MAAA**—Life Actuary, Financial-Corporate Regulation Division; 29.5 years

**Karen Hafel**—Insurance Analyst, P&C Corporate Regulation Unit; 29 years

**Linda Impson**—Staff Assistant, SHIP; 3.5 years

**Steve Kalber**—Chief Examiner, P&C Financial Examination Section; 32 years

**Peter Kimble**—Actuarial Examiner, P&C Financial Examination Section; 23 years

**Sharon Kimbro**—Public Service Administrator, Securities Unit; 26 years

**Norm Koefoed**—Financial Examiner, P&C Financial Examination Section; 19 years

**Bill Klokkenga**—Office Assistant, Central Files Unit; 4.5 years

**Pat Matevey**—Public Service Administrator, Executive Staff; 32 years

**Randy McFall**—Insurance Analyst, P&C Consumer Services Unit; 29 years

**Carol Morris**—Administrative Assistant, Consumer Market Division; 29 years

**Nan Nases**—Public Information Officer, Executive Staff; 32.5 years

**Jim Orr**—Public Service Administrator, Pension Division; 10.5 years

**Donna Raffa**—Insurance Analyst, P&C Compliance Section; 22 years

**Howard Ray**—Financial Examiner, P&C Financial Examination Section; 15.7 years

**Sharon Ray**—Supervisor, Word Processing Unit; 24 years

**Nancy Rudolph**—Office Associate, Consumer Services Section; 11 years

**Nick Schiro**—Insurance Analyst, L/A&H Consumer Services Unit; 18 years

**Tristram Schnepfer**—Supervisor, Non-Admitted Insurers Regulatory Unit; 30.8 years

**Richard Scholl**—Education Specialist, Senior Health Insurance Program; 3.5 years

**Bob Stik**—Producer Licensing Unit; 2 years

**William Susic**—Financial Examiner, P&C Financial Examination Section; 35.8 years

**Betty Jo Teer**—Insurance Analyst, L/A&H Compliance Section; 27 years

**Mike Waskin**—Insurance Analyst, Chicago Consumers Services Unit; 18.9 years

**Sarunas Valiukenas**—Information Systems Specialist, EDP Section; 11 years

**David Van Lieshout**—Assistant Chief Counsel, Legal Division; 14.5 years

**Lee Woods**—Technical Advisory Services Coordinator, Pension Division; 13 years ♦

## Department rules review

The full text of Department rules is printed in the *Illinois Register* published weekly by the Illinois Secretary of State's Index Department, 111 E. Monroe St., Springfield, IL 62756. Subscriptions are available from that source for an annual fee of \$290. Issue numbers and a Department contact person are listed below after each rule summary.

Adopted rules are codified in Title 50 of the Illinois Administrative Code, and are posted on the Department's website at [www.ins.state.il.us/RULES/admin\\_rules\\_title\\_50.htm](http://www.ins.state.il.us/RULES/admin_rules_title_50.htm). Copies of rules are also available upon written request to the Department of Insurance at a charge of \$1 per page.

**Rule 909** (Advertising & Sales Promotion of Life Insurance & Annuities) was amended effective October 28, 2002, to update all statutory references affected by the enactment of Public Act 92-0386 which replaces the current producer licensing law in the Illinois Insurance Code with a new licensing law modeled after the National Association of Insurance Commissioners (NAIC) model. (Vol. 26, #45; Mike Teer)

**Rule 917** (Life Insurance & Annuity Replacement Regulation) was amended effective October 28, 2002, to update all statutory references affected by the enactment of Public Act 92-0386. (Vol. 26, #45; Mike Teer)

**Rule 3109** (Insurance Producers Doing Business Under an Assumed Name or Firm) was amended effective October 28, 2002, to update all statutory refer-

ences affected by the enactment of Public Act 92-0386. (Vol. 26, #45; Mike Teer)

**Rule 3113** (Premium Fund Trust Account) was amended effective October 28, 2002, to update all statutory references affected by the enactment of Public Act 92-0386. (Vol. 26, #45; Mike Teer)

**Rule 3119** (Pre-licensing & Continuing Education) was amended effective October 28, 2002, to update all statutory references and terminology affected by the enactment of Public Act 92-0386. In addition, the text of Section 3119.40 of the rule is being repealed again formally because the text was inadvertently left intact when the Department filed its official copy with the Index Department following the previous repealer. (Vol. 26, #45; David Murphy)

**Rule 4415** (Payment of Annual Compliance Fees for Pension Funds) was amended effective October 28, 2002, so that pension funds will no longer be required to utilize the Automated Clearing House (ACH) method for payment of annual compliance fees. The court in *Board of Trustees of the Chicago Heights Police Pension Fund v. Department of Insurance* (1-99-1589) held that the requirement was void, and JCAR has identified this as an issue that the Department should address by rulemaking. The proposed changes make use of the ACH method optional and present alternative methods for payment of the annual compliance fees. (Vol. 26, #45; Jim Orr) ♦

## Staff changes announced

Director Nat Shapo has announced two staff transfers. Assistant Director **Madelynne Brown** has been named Deputy Director of the Consumer Information and Education Division. In her new capacity, she will continue to oversee the Senior Health Insurance Program (SHIP), the State Planning Grant, and the Comprehensive Health Insurance Plan (CHIP). She will also oversee the agency's Consumer Outreach Program and continue to be involved with health policy and urban policy issues. Madelynne has served as Assistant Director since April 1992.

**Sinead Rice Madigan** is moving from the Department's Legislative Office to become Assistant Deputy Director of SHIP. Sinead has served as our Legislative Liaison since October 1999.

In other staff changes, **Richard Nitka** has been promoted to Supervisor of the Producer Regulatory Unit in Chicago. Rich has been an examiner since 1985. ♦

## Company action

### New Companies

USAuto Insurance Company, Inc., TN, 10/21/02

### Terminations

Oak Casualty Insurance Company, IL, placed in liquidation 11/19/02 ♦



## Producer regulatory action

(Copies of regulatory orders are available upon written request to the Producer Regulatory Unit, for \$1/page. The number of pages are indicated in parentheses following the effective date.)

### Suspension of Producer License

Ed L. Cooper  
2413 West Algonquin  
Algonquin, IL 60102  
Effective 9/20/02 (2)

Luis Dominguez  
2535 East 106th Street  
Chicago, IL 60617  
Effective 9/13/02 (2)

Marla P. Granberry  
8424 South Blackstone Avenue  
Chicago, IL 60619  
Effective 9/20/02 (2)

Robert W. Harkins II  
10320 South Mason Avenue, #1  
Oak Lawn, IL 60453  
Effective 10/23/02 (2)

### Voluntary Revocation

Christopher M. Hess  
305 West Roosevelt, Apt. #2  
DeKalb, IL 60015  
Effective 10/03/02 (2)

Thomas D. Hiles  
681 West Losey  
Galesburg, IL 61401  
Effective 9/03/02 (2)

### Revocation of Producer License

Jason L. Barnes  
29 W 069 Calumet Avenue  
Warrenville, IL 60555  
Effective 10/23/02 (2)

Lavon D. Jones  
8316 South Yates Boulevard  
Chicago, IL 60617  
Effective 10/20/02 (2)

Raymond J. Marten  
106 Wild Rose Lane, PO Box 50  
Raymond, IL 62565  
Effective 9/24/02 (13)

Marco Triplett  
5223 South Peoria Street  
Chicago, IL 60609  
Effective 10/23/02 (3)

Charles G. Oleson  
1517 Winslowe  
Palatine, IL 60067  
Effective 9/20/02 (2)

Timothy A. Parke  
313 Tanglewood Drive  
Streamwood, IL 60107  
Effective 9/20/02 (2)

Jonathon J. Ramos  
10409 Dearlove Road, A-2  
Glenview, IL 60025  
Effective 10/23/02 (2)

### Denial of Producer License

Caesar Arteaga  
2401 Flower Street  
Joliet, IL 60435  
Effective 9/20/02 (3)

Sandra D. Cook  
4135 North Bearsdale Road  
Decatur, IL 62526  
Effective 10/09/02 (3)

Jerome L. Edmond  
17975 Amhurst Court, Apt. 101  
Country Club Hills, IL 60478  
Effective 10/29/02 (5)

Shawn B. Garrett  
734 North St. Louis  
Chicago, IL 60624  
Effective 12/13/99 (3)

Byron Jones  
10615 South Halsted  
Chicago, IL 60628  
Effective 9/04/02 (12)

Robert E. Lockett  
163 West Raye Drive  
Chicago Heights, IL 60411  
Effective 9/20/02 (3)

Lois Soble  
8500 Skokie Boulevard  
Skokie, IL 60077  
Effective 10/23/02 (4)

### Stipulation and Consent Order-Civil Forfeiture Paid

Kim A. Auchstetter  
1429 Green Pheasant  
Batavia, IL 60510  
Effective 10/16/02 (3)

Linda D. Slaughter  
17810 Tanglewood Court  
Hazel Crest, IL 60429  
Effective 7/31/02 (3) ♦

## Exam reports filed

### Financial

Apollo Casualty Company  
9/18/02  
Argonaut Great Central Ins. Co.  
9/12/02  
Delta Dental Plan of Illinois  
11/06/02  
Farmers New Century Ins. Co.  
9/18/02  
Federal Life Ins. Co. (Mutual)  
9/12/02  
General Casualty Company of IL  
10/16/02  
IL Farmers Insurance Company  
9/18/02  
LaPrairie Mutual Insurance Co.  
10/16/02  
Prime Insurance Syndicate, Inc.,  
The  
9/24/02  
Progressive Premier Ins. Co. of IL  
10/07/02  
Progressive Universal Ins. Co. of IL  
10/07/02  
United Concordia Dental Plan of  
IL, Inc.  
11/08/02

### Market Conduct

Lash-Warner & Associates (Public  
Adjuster)  
10/21/02 ♦

## Hearings

### Completed Hearings:

Arizona Bargin  
State Farm Fire & Casualty Co.  
Hearing No. 3993  
Nonrenewal effective 9/26/02

Diane Haze  
Prudential Property & Cas. Co.  
Hearing No. 4006  
Cancellation effective 11/15/02

Len Trovero Construction  
Hearing No. 3972  
Assessment pursuant to Sec.  
107a.14 sustained 9/20/02

Raymond James Marten  
Hearing No. 3990  
Licensing authority revoked  
9/24/02

Michael Mulholland  
State Farm Fire & Casualty Co.  
Hearing No. 4002  
Nonrenewal effective 11/13/02

James R. Vura, Jr.  
Hearing No. 3985  
Licensing authority suspended  
10/31/02

James & Maggie Ward-Knox  
Economy Fire & Casualty Co.  
Hearing No. 3992  
Nonrenewal in violation of Code;  
policy reinstated 10/04/02

Matthew & Susan Wittum  
Country Mutual Insurance Co.  
Hearing No. 4003  
Nonrenewal effective 11/07/02

### Scheduled Hearings:

Allan Fickau  
Horace Mann/Teachers Ins. Co.  
Hearing No. 4017  
Cancellation 12/17/02

Charles W. Fitzpatrick  
State Farm Fire & Casualty Co.  
Hearing No. 4023  
Nonrenewal 12/11/02

Illinois Farmers Insurance Co.  
Sheila Maiden  
Hearing No. 4021  
Nonrenewal 12/09/02

Jay A. Jensen  
Hearing No. 4024  
Revocation of licensing authority  
12/18/02

Mark R. Moylan  
Hearing No. 4025  
Revocation of licensing authority  
12/19/02

Orland Hills Police Pension Fund  
Hearing No. 4014  
Non-compliance 12/05/02

Service & Business Workers of  
America  
Hearing No. 4020  
Cease and desist 12/04/02

E. J. Sieron  
Sieron & Associates  
Illinois Fair Plan Associates  
Hearing No. 4026  
Nonrenewal 12/19/02

Cezary Swiergula  
State Farm Mutual Auto Ins. Co.  
Hearing No. 4022  
Cancellation 12/20/02

Thatcher Engineering Corporation  
Hearing No. 3955  
Workers compensation rate  
appeal 12/10/02

### Settled Without Hearing:

Cicero Firefighters Pension Fund  
Hearing No. 4015  
Dismissed 11/07/02

Jerome L. Edmond  
Hearing No. 4009  
Dismissed 10/29/02

Glenwood Police Pension Fund  
Hearing No. 4012  
Dismissed 11/19/02

Markham Police Pension Fund  
Hearing No. 4013  
Dismissed 11/18/02

Oak Casualty Insurance Company  
Hearing No. 3982  
Stipulation and Consent Order  
9/18/02

Port to Port, Inc.  
Hearing No. 4000  
Dismissed 10/25/02

Venice Police Pension Fund  
Hearing No. 3964  
Dismissed 10/21/02 ♦

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